

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

House Bill 748  
Ways and Means

(Delegate Afzali, *et al.*)

---

Gaming - Video Lottery Operation Licensees - Mandatory Audit

---

This bill requires the State Lottery and Gaming Control Commission (SLGCC), once every two years, to inspect, examine, and audit books, records, and documents concerning a licensee's video lottery and table game operations, including the financial records of a parent corporation, subsidiary corporation, or similar business entity.

---

Fiscal Summary

**State Effect:** None. The bill's requirements can be handled with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

---

Analysis

**Current Law:** SLGCC must issue and renew video lottery license applications to qualified applicants. The following persons must be licensed by SLGCC: (1) a video lottery operator; (2) a manufacturer; (3) a person who manages, operates, supplies, provides security for, or provides service, maintenance, or repairs for VLTs or table games; and (4) a video lottery employee.

SLGCC must promptly and thoroughly investigate all video lottery license applications. SLGCC, its employees, and its agents have the authority, without notice or warrant, to inspect and examine all premises in which video lottery and table game operations are conducted or any specified authorized gaming equipment is designed, built, constructed,

assembled, manufactured, sold, distributed, or serviced. Additionally, they may inspect all premises in which records of those activities are prepared or maintained. SLGCC, its employees, and its agents may inspect all gaming, and associated gaming, equipment and software in, about, on, or around those premises.

SLGCC, its employees, and its agents have the authority, without notice or warrant, to inspect, examine, and audit books, records, and documents concerning a licensee's video lottery and table game operations, including the financial records of a parent corporation, subsidiary corporation, or similar business entity.

A licensee must authorize any other person having financial records relating to the licensee to provide those records to SLGCC.

**Background:** While SLGCC currently has the authority to inspect, examine, and audit books, records, and documents concerning a licensee's video lottery and table game operations, including the financial records of a parent corporation, subsidiary corporation, or similar business entity, the bill mandates SLGCC does this every two years. SLGCC reports that it already audits a licensee's books, records, and documents every two years, but under the bill, SLGCC would also audit the financial records of a licensee's parent corporation. The licensee is responsible for the costs associated with an independent audit by a certified public accountant.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland State Lottery and Gaming Control Agency,  
Department of Legislative Services

**Fiscal Note History:** First Reader - February 19, 2014  
mam/rhh

---

Analysis by: Heather N. Ruby

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510